

## Message Text

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PAGE 01 IAEA V 07254 01 OF 02 041346Z

41

ACTION IO-14

INFO OCT-01 ISO-00 IOE-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10

RSC-01 ACDA-19 CIAE-00 INR-10 L-03 NSAE-00 NSC-10

SCI-06 SCEM-02 OMB-01 ABF-01 TRSE-00 RSR-01 /141 W

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P R 041213Z SEP 73

FM USMISSION IAEA VIENNA

TO SECSTATE WASHDC PRIORITY 3329

INFO AEC GERMANTOWN

LIMITED OFFICIAL USE SECTION 1 OF 2 IAEA VIENNA 7254

E. O. 11652: N/A

TAGS: AORG, AFIN, IAEA

SUBJECT: IAEA CY 1974 BUDGET

1. SUMMARY: IN VIEW OF MEMBERS UNWILLINGNESS, AS PERCIEVED BY SECRETARIAT, TO INCREASE ADDITIONAL APPROPRIATION TO SUFFICIENT SIZE, AGENCY NOW PROPOSING ESTABLISHMENT OF EXCHANGE ADJUSTMENT ACCOUNT FOR ONE YEAR, TO BE FINANCED BY ASSESSMENT ON MEMBERS IN AMOUNT TO BE SET BY FEBRUARY BOARD UP TO LIMIT OF \$2.5-MILLION. ACTION REQUESTED: GUIDANCE AS TO US VIEW THIS ALTERNATIVE. END SUMMARY.

2. DDG HALL INFORMED MISSION ON SEPTEMBER 3 THAT SERIES OF FURTHER CONSULATIONS WITH PERMANENT MISSIONS ON THIS SUBJECT SINCE LAST REPORT HAS PRODUCED FOLLOWING: OVERT ENTHUSIASM FOR CHANGE IN CURRENCEY OF PAYMENTS SEEMS TO BE LOSING STEAM, PROBABLY DUE AT LEAST IN PART TO RECENT STRENGTHENING OF DOLLAR IN VIENNA (FYI: UN RATE OF EXCHANGE ESTABLISHED AT 18.00 AUSTRIAN SCHILLINGS TO US\$1.00 AS OF SEPT 1. END FYI) ON OTHER HAND, MANY MEMBERS UNWILLING TO CONSIDER INCREASE IN ADDITIONAL APPROPRIATION (SECTION 9) FOR 1974 SUFFICIENT TO COMPENSATE FOR EFFECTS DOLLAR FALL SINCE JUNE, IN LARGE PART DUE TO UNCERTAINTY THAT ENTIRE AMOUNT WOULD IN FACT BE NEEDED, (E.E., IF DOLLAR/SCHILLING RATE SHOULD FURTHER IMPROVE DURING 1974)

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PAGE 02 IAEA V 07254 01 OF 02 041346Z

AND CORRESPONDING UNWILLINGNESS OF FINANCE MINISTRIES TO APPROVE

ENTIRE AMOUNT AT THIS TIME. INDIANS ESPECIALLY UNHAPPY AND STATED TO HALL THAT THEY PROBABLY BE FORCED STATE INABILITY TO APPROVE INCREASE IF TI PRESENTED THIS SEPTEMBER, AND MIGHT ALSO HAVE TO STATE THEY NOT ABLE PAY IF IT APPROVED. (FYI: INDIAN PERMREP REPEATED THIS TO AMBASSADOR PORTER ON AUGUST 31, AND IS OF OPINION GOOD MANY OTHER LDC'S WILL SHARE THIS APPROACH. END FYI)

3. HALL EXTERMELY WORRIED BY THIS SITUATION, AND SEES REAL CHANCE THAT LDC REVOLT AT BOARD OR GENERAL CONFERENCE COULD EITHER IMPERIAL APPROVAL OF ADDITIONAL APPROPRIATION (OR EVEN ENTIRE BUDGET, DEPENDING ON TACTICAL PRESENTATION) OR AT LEAST LEAD TO NUMEROUS DECLARATIONS THAT MEMBERS WOULD NOT PAY THIS PART OF ASSESSMENTS. HALL FEELS THIS SHOULD BE HEADED OFF WITHOUT OPEN CONFRONTATION IF AT ALL POSSIBLE.

4. IN EFFORT MEET SOME OF THESE CONCERNS, HALL AND DG NOW CONSIDERING ALTERNATIVE WHEREBY PRE-GC BOARD WOULD ESTABLISH SPECIAL EXCHANGE ADJUSTMENT ACCOUNT PURSUANT FINANCIAL REGULATION 7.10, RECOMMENDING THAT THIS ACCOUNT BE FINANCED NOT TO EXCEED SPECIFIED FIGURE BY ASSESSMENTS ON MEMBER STATES. GC WOULD APPROVE RECOMMENDATION, AND CALL ON BOARD TO CONSIDER MATTER AT FEBRUARY MEETING, AND THEN (1) AUTHORIZE DG TO ASSESS MEMBERS FOR ALL OF MAXIMUM AMOUNT OR WHATEVER PART OF MAXIMUM REQUIRED IN LIGHT CURRENCY SITUATION PREVAILING IN FEBRUARY, AND (2) AUTHORIZE DRAWINGS BY DG ON THIS ACCOUNT FOR SOLE PURPOSE OF COVERING LOSSES ON EXCHANGE. ACCOUNT WOULD BE AUDITED BY EXTERNAL AUDITOR AT YEAR END. ANY PART OF MAXIMUM AMOUNT APPROVED IN SEPTEMBER WHICH FEBRUARY BOARD DID NOT AUTHORIZE DG TO USE WOULD NOT RPT NOT HAVE TO BE PAID IN BY MEMBERS.

5. IN LONG DISCUSSION, HALL STRESSED THAT HIS CONSULTATIONS INDICATED NEED TO SEPARATE THIS ACCOUNT FROM REGULAR APPROPRIATION AND ASSESSMENTS TO BE APPROVED BY GC, AND TO PUT OFF DECISION ON AMOUNT TO ACTUALLY BE PAID UNTIL FEBRUARY AT EARLIEST, TO STAVE OFF OPEN CONFRONTATION OR EXTENSIVE MOVE TOWARD DECLARATIONS OF NONPAYMENT. FROM AGENCY'S POINT OF VIEW, THIS ALTERNATIVE WOULD PROVIDE ALL FINANCIAL CERTITUDE REQUIRED BY DG THAT FUNDS WOULD BE AVAILABLE TO IMPLEMENT PROGRAM LIMITED OFFICIAL USE

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PAGE 03 IAEA V 07254 01 OF 02 041346Z

AS APPROVED. CASH FLOW MIGHT BE PROBLEM, BUT GC RES WOULD CALL ON MEMBERS TO MAKE PROVISION FOR PAYMENT OF UP TO MAXIMUM AMOUNT OF ACCOUNT, TO PERMIT THEM TO PAY IMMEDIATELY UPON DECISION BY FEBRUARY BOARD ON AMOUNT ACTUALLY REQUIRED. AGENCY LEGAL STAFF HAS REVIEWED DRAFT AND FEELS THAT IT IS PERMISSIBLE ACTION FOR BOARD AND GC TO TAKE PURSUANT TO STATUTE AND FINANCIAL REGULATIONS.

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PAGE 01 IAEA V 07254 02 OF 02 041445Z

42

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LIMITED OFFICIAL USE SECTION 2 OF 2 IAEA VIENNA 7254

6. MISOFF STRESSED THAT WE WOULD HAVE TO HAVE FURTHER GUIDANCE FROM WASHINGTON BEFORE ACQUIESCING IN ALTERNATIVE OF THIS SORT, BOTH ON LEGAL QUESTION OF WHETHER US COULD CONSIDER SUCH ACCOUNT SEPARATE FROM REGULAR BUDGET AS PAYABLE AS ASSESSED CONTRIBUTIONS AND, IF SO, WHETHER SUCH PAYMENT WOULD BE PRACTICAL DURING US FY 75 OR WHETHER DELAY IN SETTING OF ACTUAL AMOUNT WITHIN LIMIT APPROVED BY GC WOULD ELAY US PAYMENT TO FY 76. FUTHER, MISOFF EXPRESSED DISQUIET WITH PRECEDENT OF ESTABLISHING SUCH SPECIAL ACCOUNT FINANCED BY ASSESSED CONTRIBUTIONS, EVEN IF AGENCY WILLING ASSURE MEMBERS IT WOULD BE ONE-TIME, ONE YEAR AFFAIR. MISOFF EXPRESSED DOUBT THAT PRESENTING GC WITH COMPLEX ALTERNATIVE OF THIS TYPE WOULD ACTUALLY STAVE OFF PROBLEMS WITH LDC'SV IN FACT, BY SEPARATING MATTER FROM REGULAR BUDGET IT WOULD SERVE TO GIVE THEM SINGLE TARGET TO CONCENTRATE FIRE ON, AND COMPLEXITY OF PROPOSED RESOLUTION WOULD MAXIMIZE CHANCE FOR UNHELPFUL TAMPERING AT BOARD OR GC COMMITTEE. HALL SAID HE APPRECIATED THAT THIS SOLUTION NOT THE SIMPLEST ONE; PROBLEM WAS THAT HE FELT SIMPLE SOLUTION SEEMED POLITICALLY UNACCEPTABLE. IF DG PRESENTED ONLY INCREASED APPROPRIATION TO BOARD AND GC, HE AFRAID SOMETHING ALONG ABOVE LINES WOULD BE INTRODUCED BY SOMEONE ELSE IN ANY EVENT, AND THERE WOULD THEN BE LESS CHANCE OF CONTROLLING FINAL OUTCOME. HE FUTHER APPRECIATED THAT THIS NOT RPT NOT ALONG LINES MOST PREFERRED BY US,BUT SAID HE HOPED US COULD BUY IT TO PREVENT CONFRONTATION AND POSSIBLE

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PAGE 02 IAEA V 07254 02 OF 02 041445Z

DECLARATIONS OF INTENT NOT TO PAY.

7. ON TIMING, DG AND HALL FEEL THT PAPER MUST BE CIRCULATED WITHIN NEXT DAY OR TWO, AND DICISION ON FINAL FORM OF THEIR PROPOSAL MUST BE TAKEN WITHIN THAT TIME. HALL HOPED HE WOULD HAVE FURTHER ADVICE ON US POSITION BEFORE PAPER HAD TO BE CIRCULATED, AND SAID IF WE HAD ANY LEGAL PROBLEMS THAT CHANGES IN TERMINOLOGY OR PROCEDURE COULD ADDRESS, HE WOULD BE HAPPY TO ALTER PROPOSAL TO TAKE ACCOUNT OF THEM.

8. AS TO AMOUNT TO BE ESTABLISHED AS MAXIMUM FOR ACCOUNT, HALL NOTED THAT GC DOCUMENT ON THIS SUBJECT (GC(XVII)/508) HAD QUOTED ADDITIONAL DOLLAR REQUIREMENT OF \$2.7-MILLION IF DOLLAR/SCHILLING EXCHANGE RATE AVERAGE FOR 1974 SHOULD BE 18.00 SCHILLINGS TO \$1.00. HE PERSONALLY FELT THAT DOLLAR HAD YET TO RECOVER TO ITS TRUE VALUE, AND FELT THAT \$2.5-MILLION, WHICH WOULD ASSUME EXCHANGE RATE AVERAGE NOT BELOW ABOUT 18.20 SCHILLINGS TO \$1.00, WOULD BE ADEQUATE FOR AGENCY'S NEEDS, BARRING CATASTROPHE.

9. COMMENT: SINCE PAPER NOT YET CIRCULATED, SITUATION IS STILL IN FLUX, AND MISSION WILL CONTINUE TO URGE DG AND HALL TO ADOPT ALTERNATIVE OF SIMPLE INCREASE IN APPROPRIATION FOR 1974 IN PREFERENCE THIS MORE COMPLEX APPROACH. FOR USE IN SUCH DISCUSSION, MISSION FEELS WE WILL REQUIRE FURTHER GUIDANCE ON FOLLOWING POINTS:

A. UNDER APPROACH OUTLINED ABOVE, COULD USG PAY AS ASSESSED CONTRIBUTION ITS SHARE OF SUCH EXCHANGE ADJUSTMENT ACCOUNT?

B. IF SO, WOULD PAYMENT BE FEASIBLE DURING FY-75, OR WOULD IT BE DELAYED UNTIL FY 76?

C.DOE USG HAVE OBJECTION IN PRINCIPLE TO SUCH SPECIAL ACCOUNTS SUFFICIENT FOR US TO INFORM DG AND HALL THAT WE MUST OPPOSE IF THEY RECOMMENDED SUCH ALTERNATIVE, OR (FOLLOWING STRICTLY FOR MISSION'S INFORMATION ONLY) COULD WE BUY IT TO SAVE PROGRAM IF, BASED ON FURTHER SOUNDINGS, WE CONCLUDE THAT HALL'S FEELING OF POLITICAL UNACCEPTABILITY OF INCREASED APPROPRIATION IS ACCURATE? FYI: WE DO NOT RPT NOT YET SEE INDICATION THAT THIS IS IRREVOCABLY THE CASE, ALTHOUGH SOME COMPROMISE IN DIRECTION LDC POSITION WILL BE REQUIRED. END FYI. FURTHER MISSION COMMENT AND RECOMMENDATION

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PAGE 03 IAEA V 07254 02 OF 02 041445Z

ON US POSITION AT BOARD AND GC WILL FOLLOW BASED ON CONTINUING DISCUSSIONS HERE.

10. ACTION REQUESTED: GUIDANCE FROM DEPT ON ABOVE POINTS ASAP.  
PORTER

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## Message Attributes

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